



# Management Presentation

## Full Year Results 2023

28<sup>th</sup> March 2024



# Forward Looking Statements

Statements in this presentation (including all other media) that are not historical facts or information may be forward-looking statements.

These forward-looking statements are based on information available at the time the statements are made and/or management's belief as of that time with respect to future events and involve risks and uncertainties that could cause actual results and outcomes to be materially different. Important factors that could cause such differences include but are not limited to the loss of key customers, the disruption to operations, economic conditions, political conditions, regulatory issues and reduction in demand.

# Presentation Outline

## Business Highlights

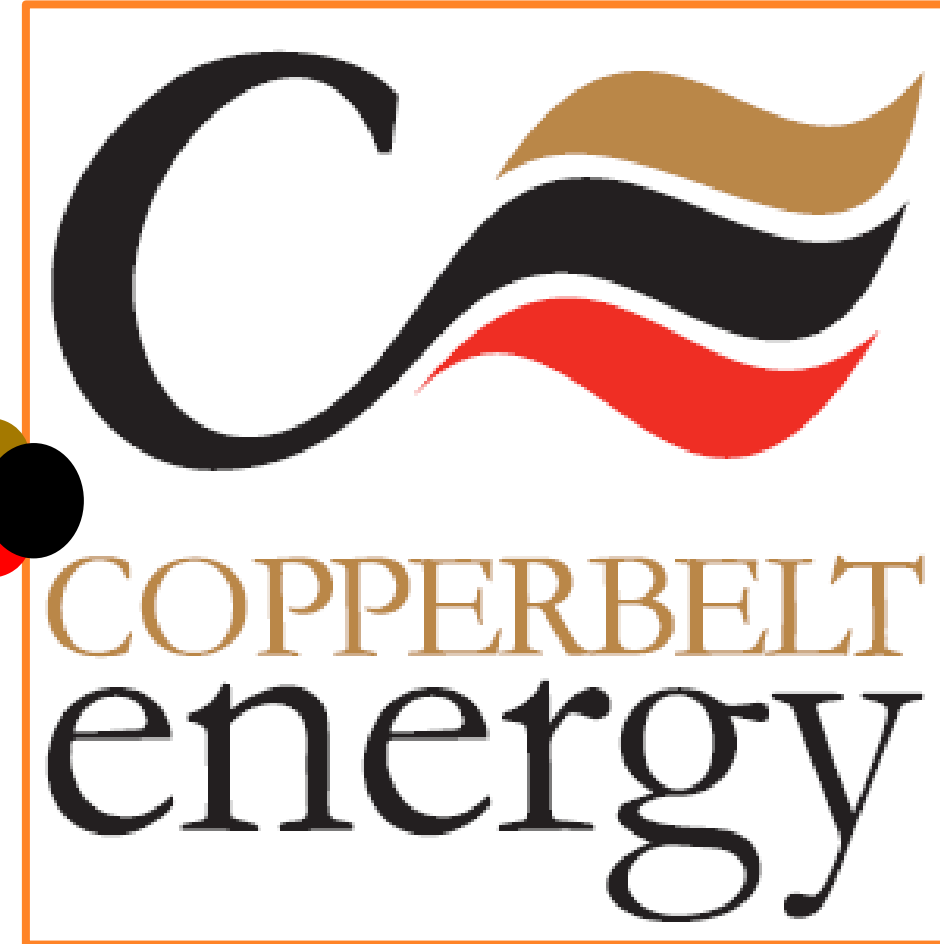
- ✧ Business environment
- ✧ Safety & system reliability
- ✧ Commercial sustainability
- ✧ Progress on operational priorities

## Financial Performance

- ✧ Revenue
- ✧ Profitability
- ✧ Liquidity & balance sheet restoration
  - ✧ Capital allocation
- ✧ Shareholder rewards
- ✧ How value was shared

## Priorities & Summary

- ✧ 2024 priorities
- ✧ Summary



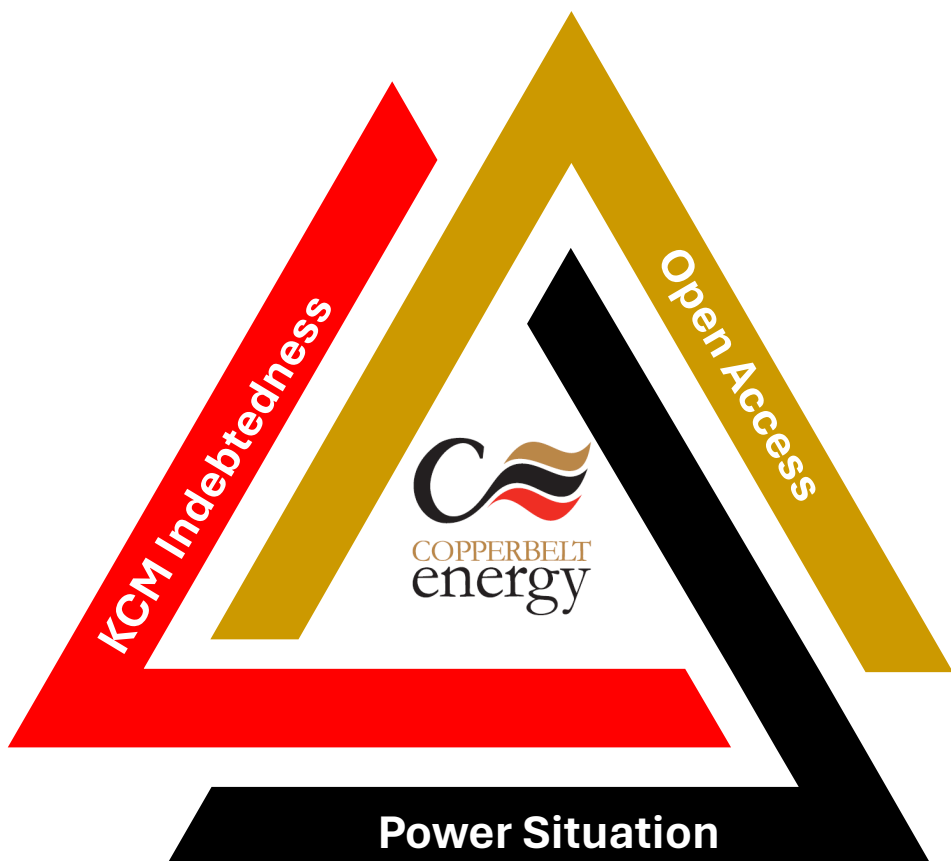


*Owen Silavwe*  
*Managing Director*



# ***1. Business Highlights***

# Business Environment



## Open Access Market

- ✘ Zambia has been working to migrate to an open access market regime
- ✘ Dual objective:
  - opening the network to facilitate fair and unhindered access
  - spur further competition in the market
- ✘ The market guidelines and rules have been approved by the stakeholders
- ✘ Supporting laws are now subject of government processes before implementation
- ✘ This is expected to trigger ringfencing of all licensed activities in the electricity market

## Power Situation

- ✘ Though somewhat tight, 2023 saw a good balance between supply and demand, enabling:
  - meeting of Zambia's demand from local sources
  - DRC's demand met from our portfolio of sources
- ✘ However, Zambia and most countries in the region have experienced a drought resulting in no more than 50% of normal precipitation being received
- ✘ Consequences:
  - Inadequate power to meet demand in Zambia – supply gap of about 750MW has been declared resulting in 8 hours loadshedding
  - Power situation at region level has worsened
  - Regional tariffs to spike over the next 2 -3 years
- ✘ CEC has continued to add more expensive sources to its supply portfolio to meet its demand.
- ✘ We require our customers to take resulting uplift in tariffs

## KCM Indebtedness to CEC

- ✘ Reached settlement with KCM on the debt owed to CEC through arbitral award by consent:
  - This resulted in partial write back of a significant portion of the debt that was impaired in 2019
  - Agreed terms include payment terms for any outstanding debt and on-going bills



# Safety and System Reliability

## Safety

- ⌘ We continue to foster and deepen a health and safety culture across our operations
- ⌘ Committed to continuous investment in learning, competence improvement and maintenance of the Company's IMS
- ⌘ Lost time accident frequency rate (LTAFR) of 0.07 compared to 0.08 in 2022



*We are focused on safely and reliably delivering quality service to our customers*

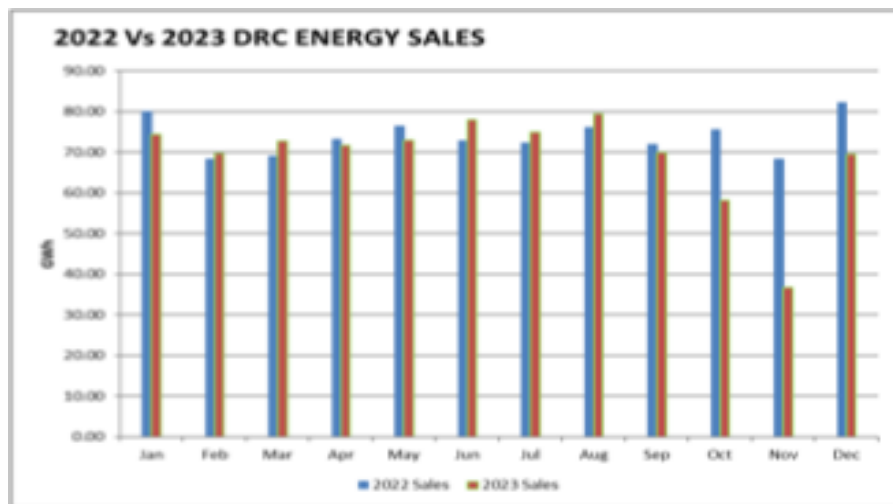
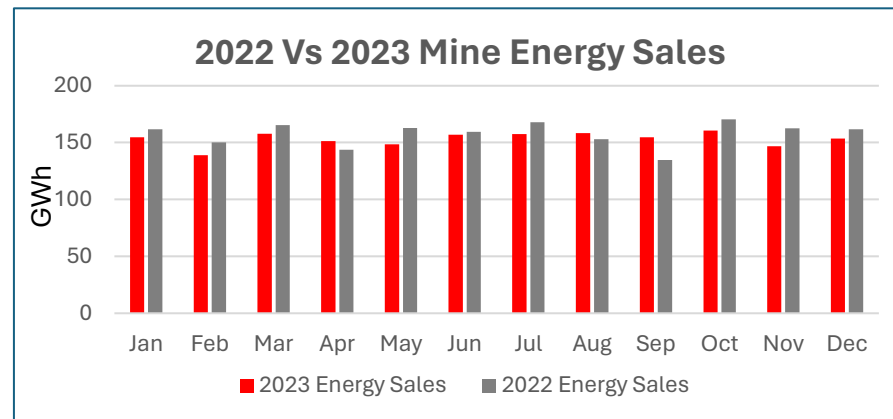
## System Reliability

- ⌘ We continue to achieve high reliability and availability across our network
- ⌘  $\geq 99\%$  availability achieved in 2023
- ⌘ As we implement the identified measures, the number of copper conductor thefts has significantly reduced on our network. We are focused on implementing technology-based solutions and enhancing collaborative efforts with the state police
- ⌘ The supply gap is always a threat to maintaining high levels of system reliability
- ⌘ We continue to work with others on the interconnected network to ensure high levels of system reliability are maintained

# Commercial Sustainability

## Supply to the Mines

- ✘ Mine demand in Zambia lower by 6% on account of general softening in demand mainly due to operational matters impacting mines like MCM and KCM
- ✘ The issues affecting these mines have largely been resolved such that in quarter one 2024, government has started the process of handing over these assets to private sector entities that are also expected to bring new capital and drive business improvements
- ✘ Overall, the mining industry is beginning to see high levels of direct foreign investment as expected based on the improving investment climate and the government's drive to achieve an ambitious 3 million metric tonnes output over a 10-year horizon



## Power Trading

- ✘ Power trading, where we sell power to our mining customers in the DRC, continues to record good growth rates
- ✘ We have a pipeline of new demand in this market requiring that we continue to add power to our supply portfolio to meet the growing demand
- ✘ Future demand prospects remain strong as we continue to ramp up activities to identify and sign new customers

# Progress on Operational Priorities – CEC PLC

## Capital Expenditure

- ⌘ USD45 million spent on:
  - ✓ Asset renewal and modernization
  - ✓ Pre-financing of Solar PV projects
  - ✓ Upgrade of capacity of the DRC Interconnector
- ⌘ We are aiming to scale up our green generation capacity as part of our energy transition ambitions
- ⌘ Investments in transmission infrastructure is critical in support of moving power from our sources to customer centres



## Power Sourcing / Contractual Arrangements

- ⌘ We made progress in strengthening and expanding our contractual arrangements
- ⌘ We continue to strengthen credit arrangements, de-risking collection of receivables
- ⌘ Implemented direct power purchase arrangements with CEC-DRC to better support the DRC market
- ⌘ We continue to strengthen our supply portfolio by integrating renewables and more third-party sources
- ⌘ We are continuing to work on strengthening partnerships that should allow us to leverage pooled resources and sharing of risks in the implementation of power infrastructure projects



# Progress on Operational Priorities – CEC DRC

## Partnerships & Regulation

- ✘ We continue to work on strengthening relations in the sector including that with the government, SNEL, Regulators, the customers and other key stakeholders
- ✘ Improving brand awareness and presence
- ✘ Obtained a concession for the first last mile sub-transmission line to one of the customers - an important milestone for CEC-DRC
- ✘ Should be able to work in partnership to develop such important infrastructure to connect more customers



## Contractual Arrangements / Capturing Demand

- ✘ Signed PPA with CEC PLC allowing it to purchase power at arms length
- ✘ Signed PSAs with mine customers in line with agreed structure to strengthen demand side arrangements
- ✘ Continues to up its marketing and sales activities in the market
- ✘ This is leading to the development of a pipeline of demand requiring more power supply in that market
- ✘ Looking to enhance both the scale and quality of service it provides

# Progress on Operational Priorities – CEC Renewables

## Supply Contracts & Capital Projects

- ✘ Two PPAs have been signed with CEC PLC
  - one covering River Side Solar PV Plant (RSP)
  - the second one covering the Itimpi Solar PV Plant (ISP)
- ✘ RSP is the 34MW operational plant while the ISP is the 60MW plant currently undergoing commissioning tests
- ✘ ISP will become fully operational in April 2024
- ✘ Working with CEC PLC, CEC Renewables registered with the SEC and listed on the LuSE, Zambia's debut USD200 million Green Bond
- ✘ The first tranche of the Green Bond, amounting to USD53.5 million, has been used to refinance the above two projects
- ✘ Further tranches to be issued in due course will be used to finance planned solar and storage projects
- ✘ The second phase of the ISP equal to 126MW is planned to start in 2024



## Operating Asset

- ✘ The only operating asset at CEC-R, the RSP, was commissioned in February 2023
- ✘ Performance of the plant has been brought in line with forecast following resolution of initial evacuation path issues and earlier challenges with soiling
- ✘ Operations & Maintenance has been contracted to CEC PLC who continue to work with staff at CEC-R to build capacity
- ✘ In 2023, the first year of operation, CEC-R delivered 46.6 GWh to CEC PLC
- ✘ We expect CEC-R will deliver more power going forward on account of full performance of RSP and the commissioning of ISP in 2024



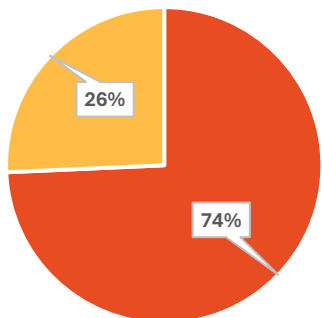
*Mutale Mukuka*  
*Chief Financial Officer*



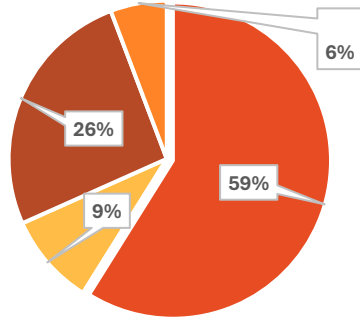
## ***2. Financial Performance***

# Revenue

## 2023 Revenue Segmentation

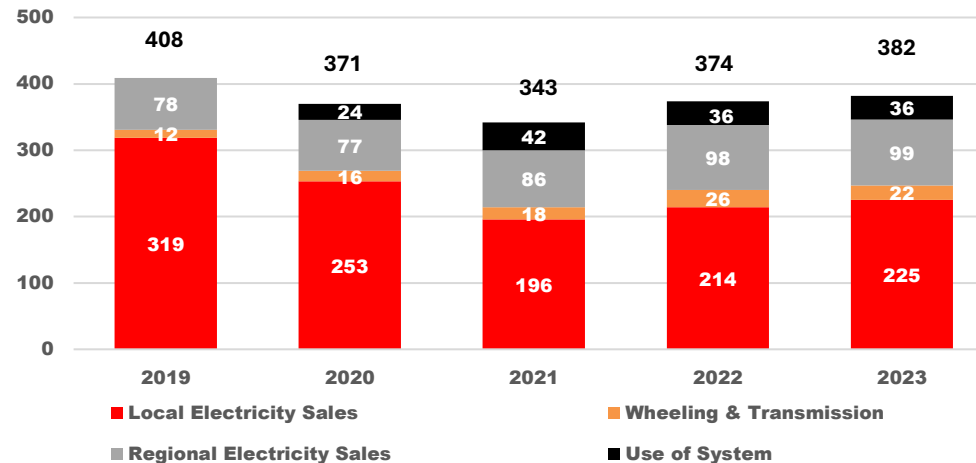


Zambia: 74% | USD283m  
DRC: 26% | USD99m



Local Supply: 59% | USD225m  
Regional Supply: 26% | USD99m  
Use of System: 9% | USD36m  
Wheeling & Transmission: 6% | USD22m

## Revenue by Business Line – 5-Year Trend (USD'm)

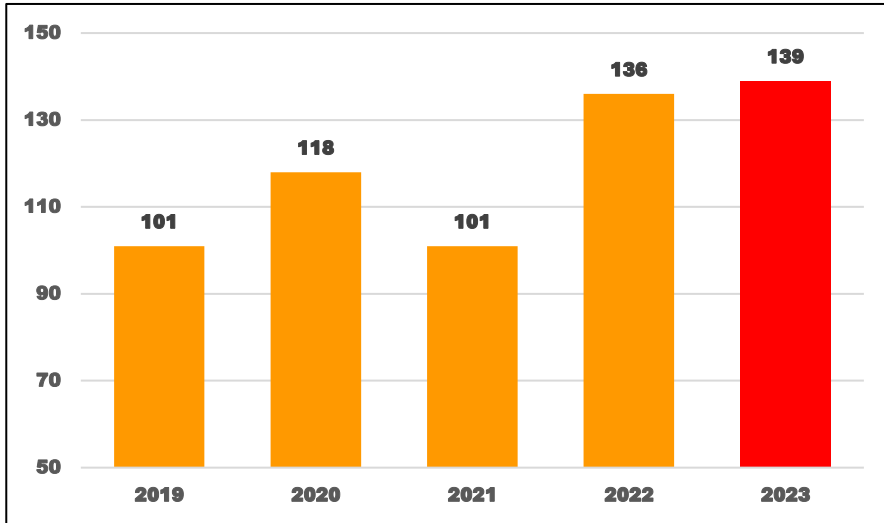


Revenue diversification efforts underway. Efforts have started realising some benefits and over the planning period the revenue concentration should significantly reduce

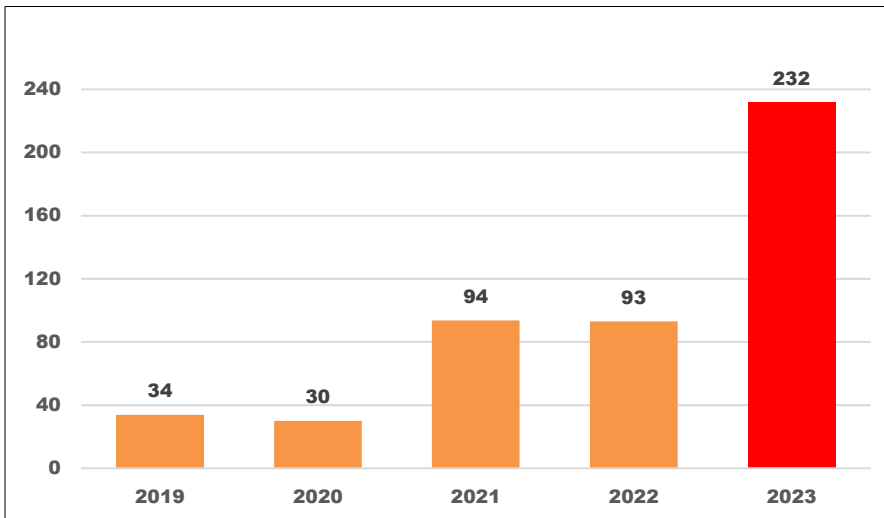
Revenue increased 2% relative to 2022. Revenue has consistently been on an upward trend for the last 3 years mainly on the back of increased regional & local power sales.

# Profitability

Gross Profit (USD'm)

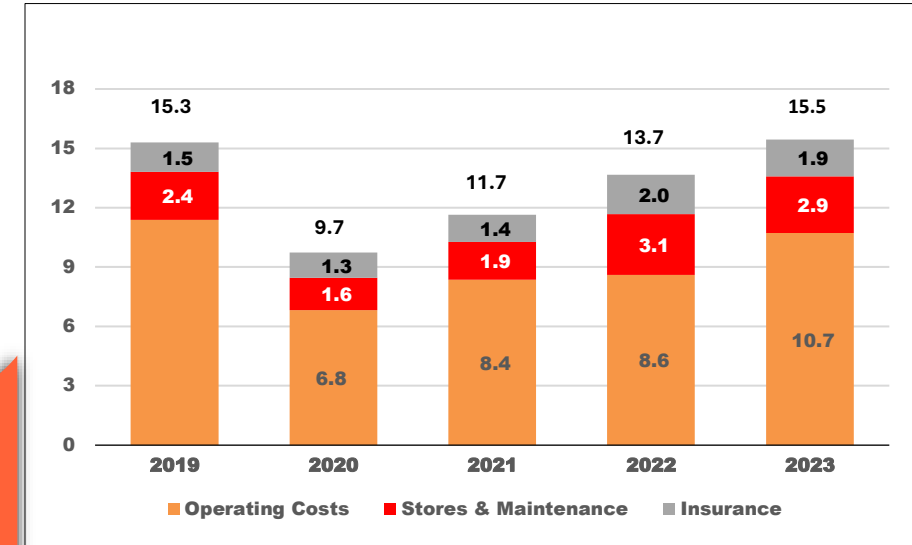


EBITDA (USD'm)

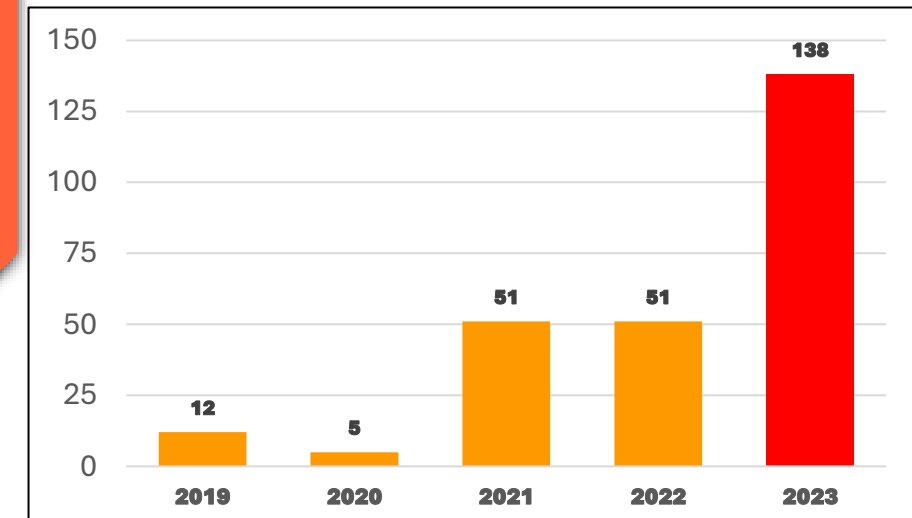


Overall, profitability measures were significantly better than prior years, impacted by better quality sales, an effective power sourcing strategy & more importantly, the impact of one-off debt write back which had the effect of dwarfing the prior year's performance

Ops cash costs (USD'm)



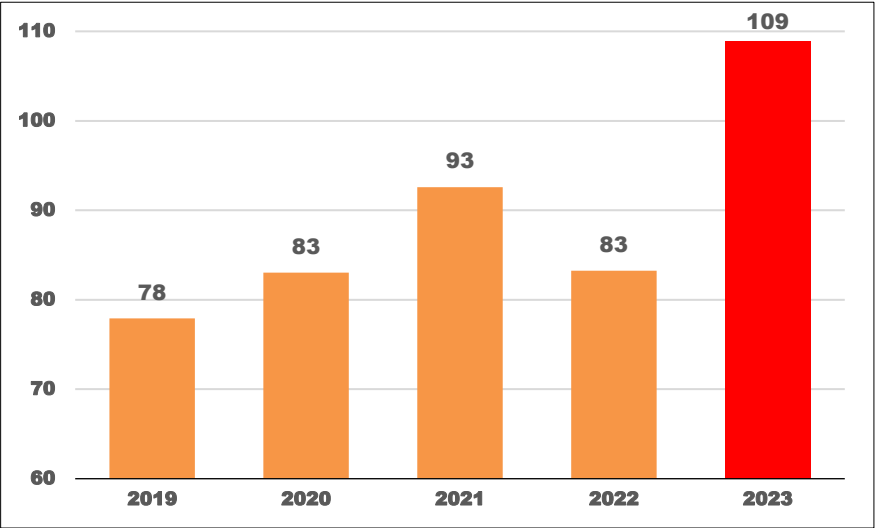
PAT (USD'm)



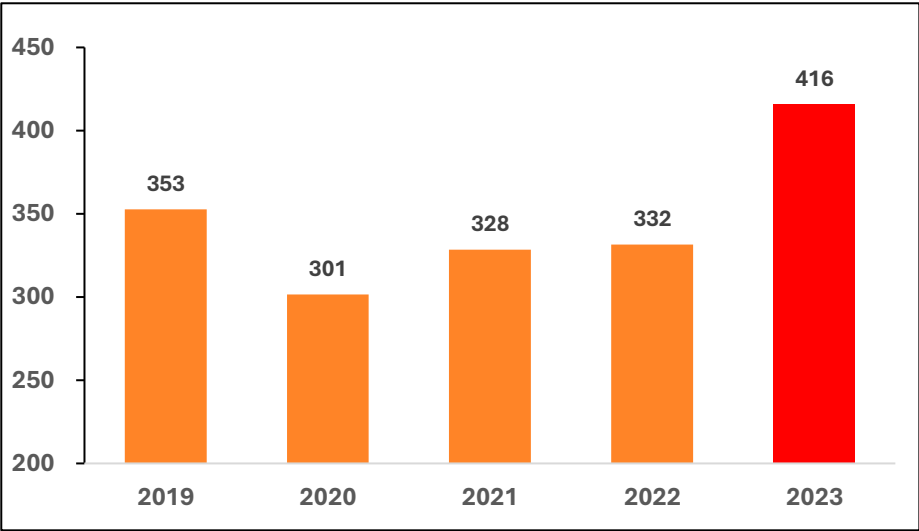


# Liquidity and Balance Sheet Restoration

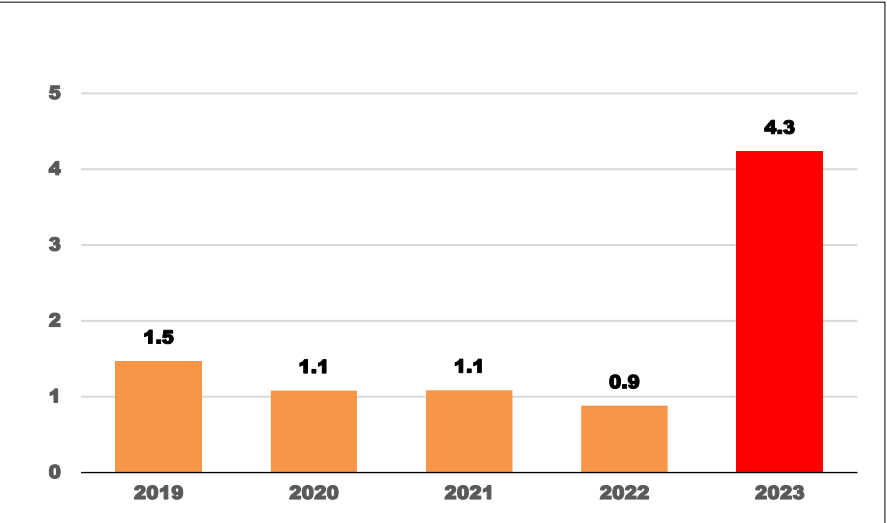
Cash and Cash Equivalents (USD'm)



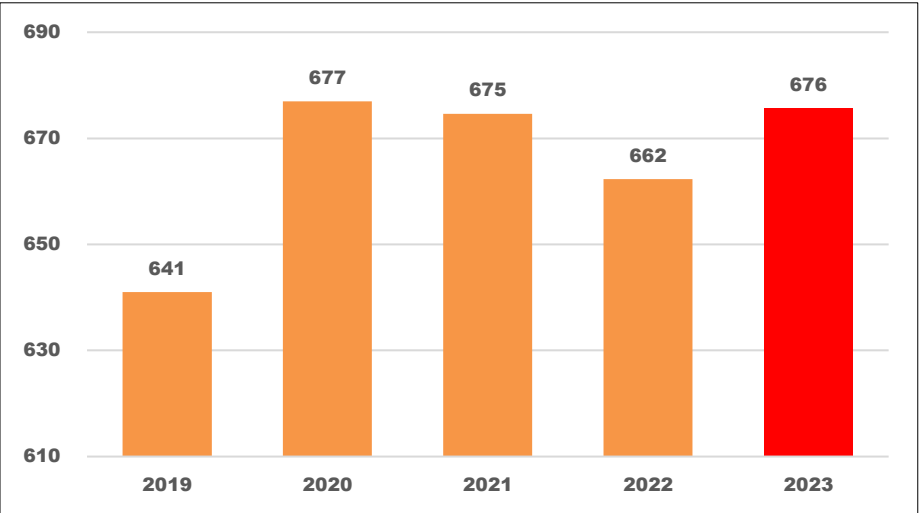
Shareholder funds or Net Asset position (USD'm)



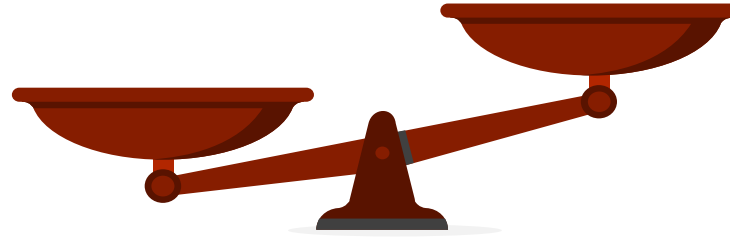
Current Ratio (USD'm)



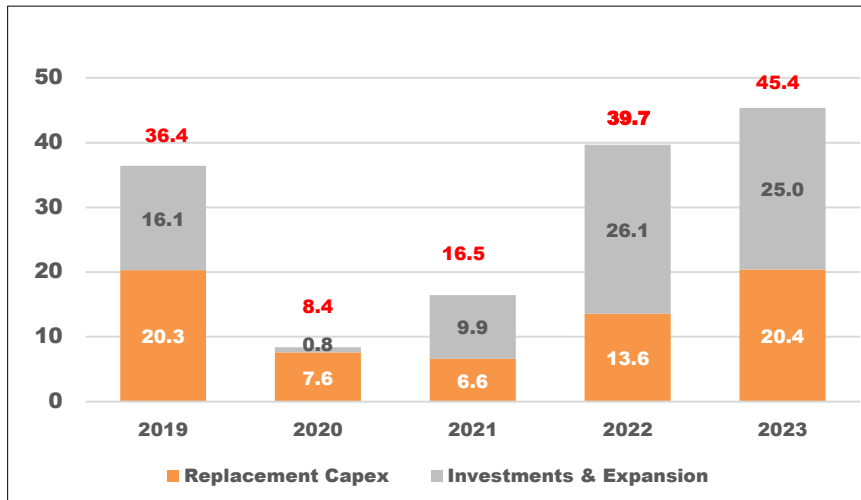
Total Assets (USD'm)



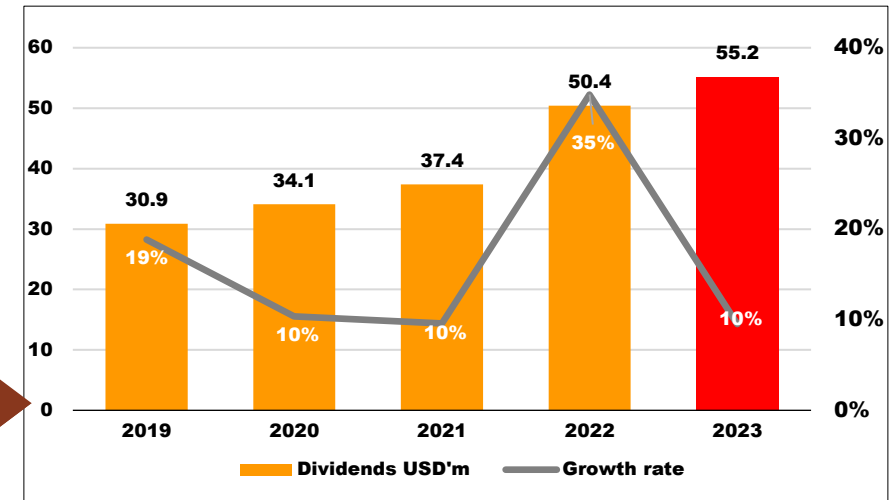
# Capital Allocation Strategy



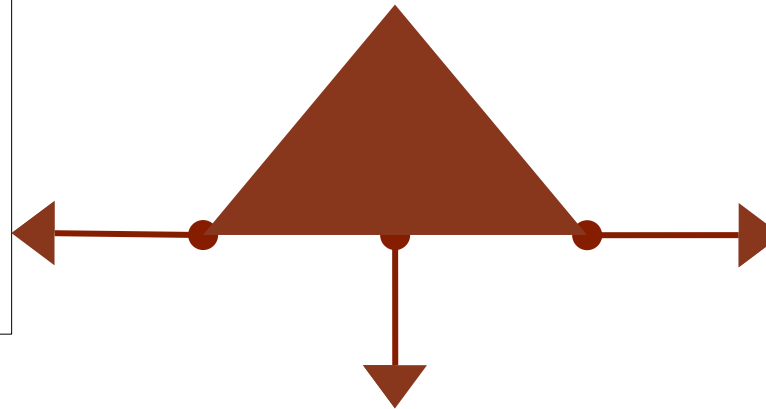
Investments (USD'm)



Dividend Payment (USD'm) vs Growth Rate (%)



## Cash Generated



Our strategy will continue to allocate capital to growth, sustainability and shareholder returns

### Growth

Cash spent on investments in prioritised capital expenditure on the core business  
**USD34.0 million (2022 -2023)**

### Sustainability

Cash spent on investments to support the renewables strategy and agenda  
**USD51.1 million (2022 -2023)**

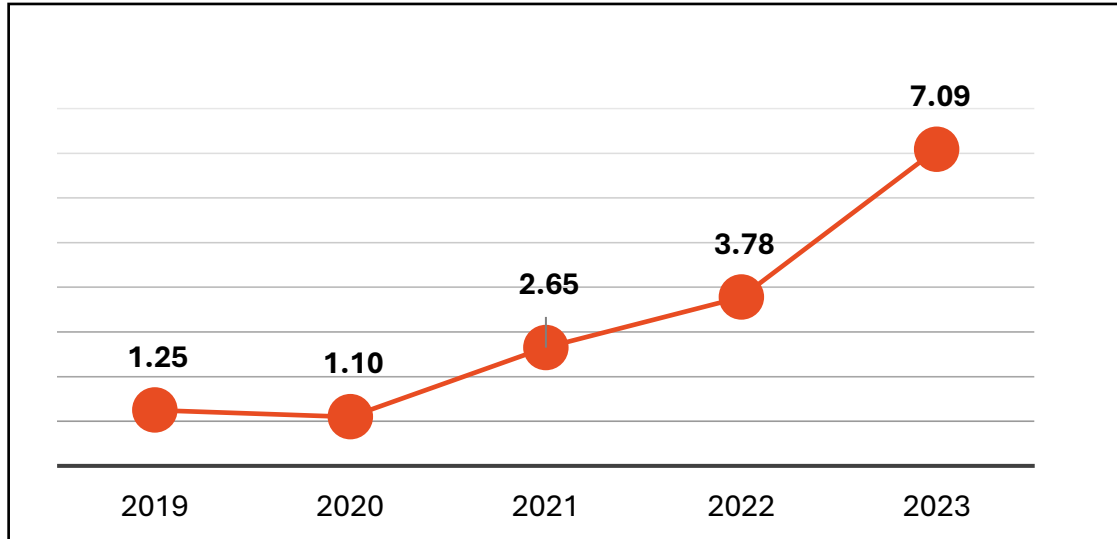
### Shareholder returns

Cash returned to our shareholders as a reward on their investments (dividends)  
**USD105.6 million (2022 -2023)**

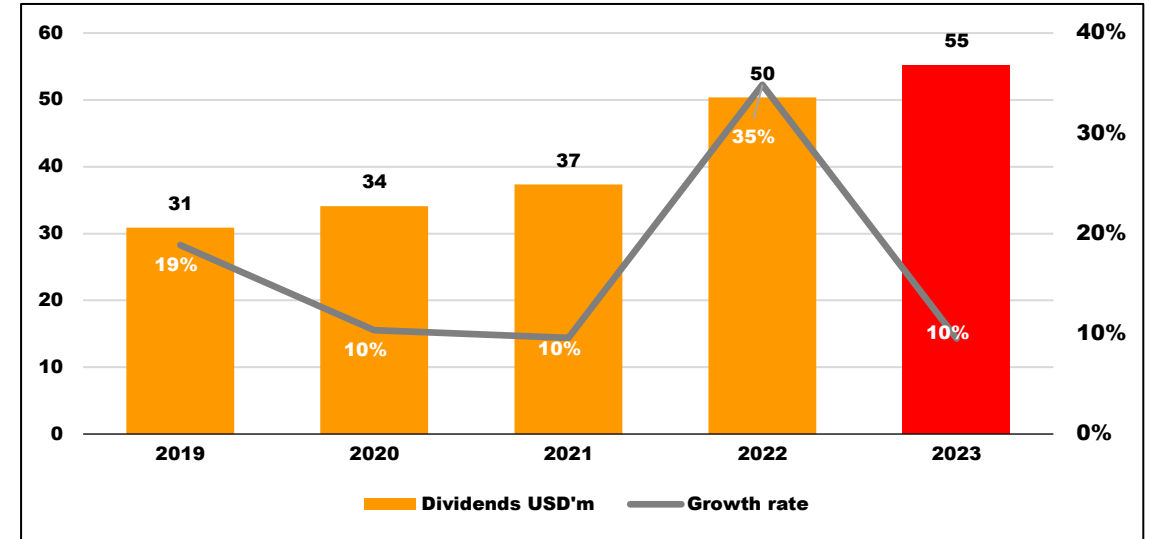
Raised **USD53.5 million** of Green financing via the LuSE in 2023

# Shareholder Rewards

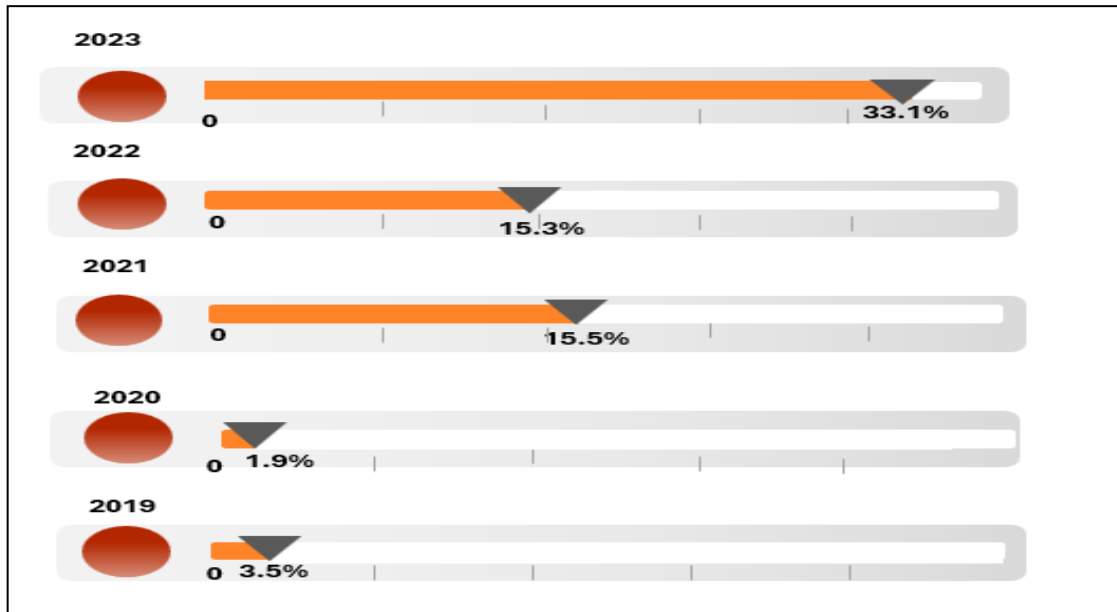
Share Price (in Zambian Kwacha)



Dividend Payment (USD'm) vs Growth Rate (%)



Return on Equity (%)



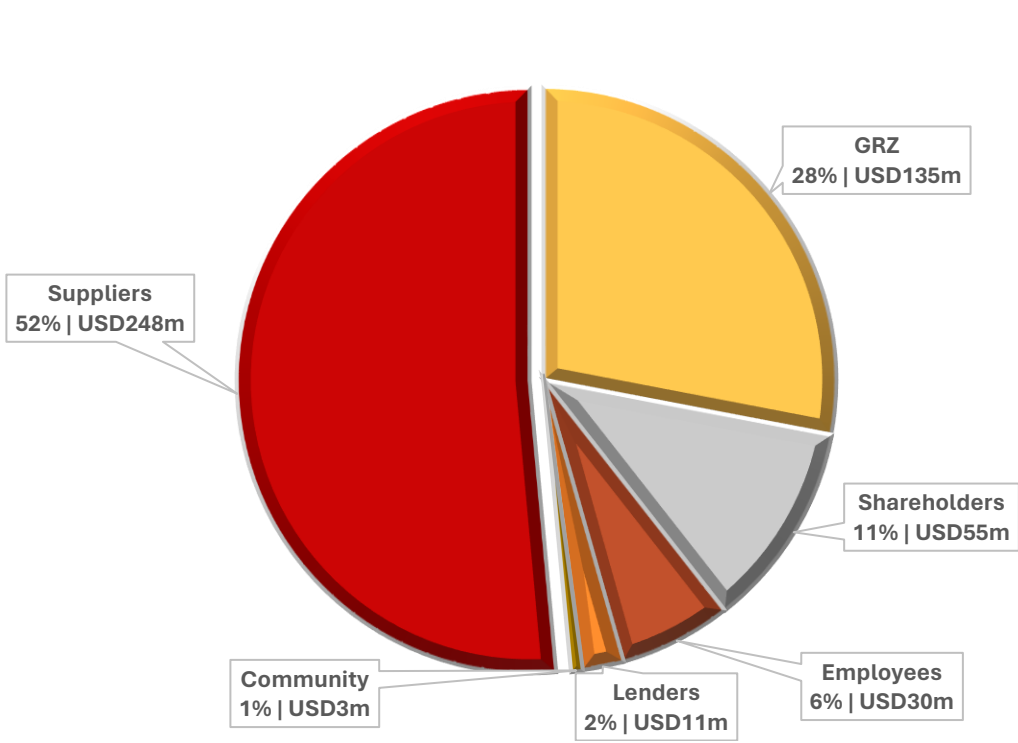
Sustained improvement in financial performance evidenced by:

- Profitability growth
- Dividend payout growth
- Risk mitigation approaches which has allowed for restoration of balance sheet
- Clarity around the 2023 – 2027 strategic objectives

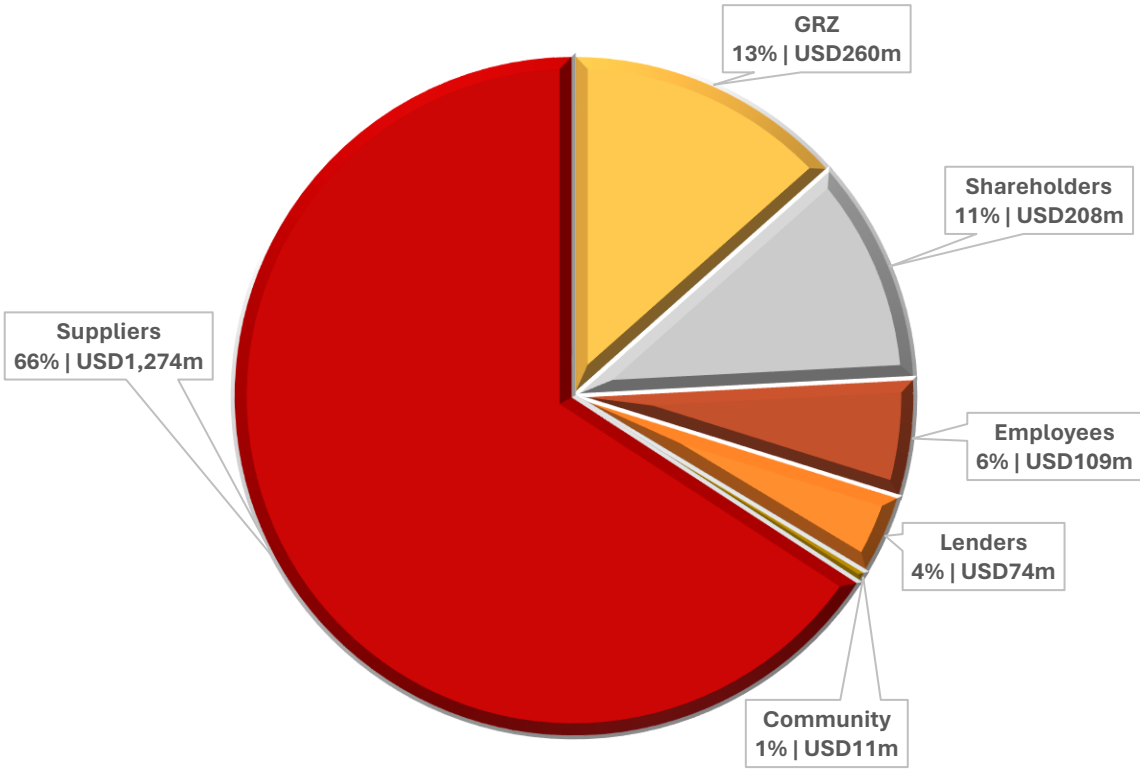
These have all led to an increase in the share price

# How Value Was Shared

Total value shared in 2023 – USD484m



Total value shared over 5 years – USD1,936m



*Sharing the value created in a sustainable manner through embedded good business practices, complying to regulations and laws of the land.*



### ***3. Priorities & Summary***



# 2024 Operational Priorities

## Demand Growth

- ✘ With increased pledges for FDI in the mining sector and wider economy, refocus on demand acquisition in all markets
- ✘ Enhance pipeline conversion effort linked to strengthening of supply portfolio
- ✘ Consider extending supply to new markets

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## Power Sourcing

- ✘ Work on both short-term and long-term solutions
- ✘ Continue to integrate renewable sources in our supply portfolio
- ✘ Work across geographies and technologies to acquire more third-party sources

## Managing Impacts of the Drought

- ✘ A supply gap of about 30% poses risk to the business
- ✘ We will focus on putting in place appropriate solutions that mitigate potential impacts of the drought
- ✘ Based on our ability to find power, we will aim to extend the provision of solutions to the wider market

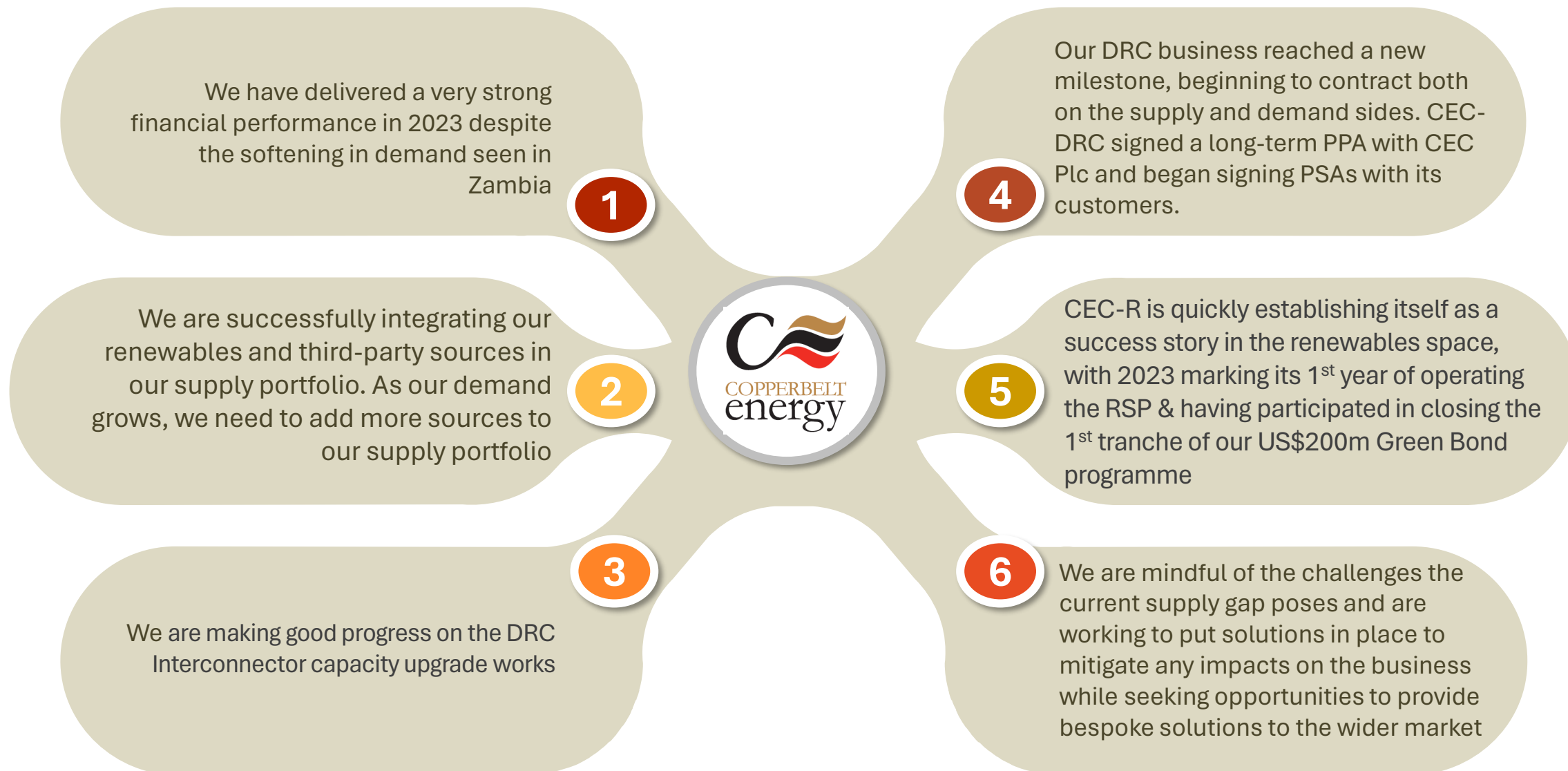
## Open Access Regulations

- ✘ We anticipate open access regulations will be approved and implemented in the course of 2024
- ✘ We are working with all stakeholders to agree a smoothed path for implementation of open access market regulations
- ✘ Adequately prepare for changes

## Capital Projects

- ✘ Refocus important asset renewal and modernisation programme
- ✘ Progress next phase of renewables programme
- ✘ Participate in strengthening of key transmission infrastructure to facilitate efficient movement of power to load centres

# Summary







# *Question & Answer*

